

**Before the
Federal Communications Commission
Washington, D.C. 20554**

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
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)
Amendment of the Commission's Rules)
Regarding Installment Payment Financing)
For Personal Communications Services)
(PCS) Licensees)

WT Docket No. 97-82 /

REPLY COMMENTS OF ALLTEL CORPORATION

ALLTEL Corporation, on behalf of its various subsidiaries and affiliates providing commercial mobile services, hereby submits its reply comments in the above-captioned matter and in response to the Commission's Further Notice of Proposed Rulemaking.¹ As an initial matter, ALLTEL commends the Commission for addressing the issues contained in the Further Notice through an open rulemaking in lieu of responding to the ad hoc requests for relief submitted by various carriers. The rulemaking process ensures that the Commission will arrive at rules of general applicability in a fair and open manner, and one that will both better serve the public interest and survive judicial scrutiny, should it be sought.

ALLTEL fully concurs with the Commission's tentative conclusion and the comments of numerous parties advocating that the available 30 MHz C blocks be

¹ See, In the Matter of Amendment of the Commission's Rules Regarding Installment Payment Financing for Personal Communications Services (PCS) Licensees, Further Notice of Proposed Rulemaking, WT Docket No. 97-82, FCC 00-197 (released June 7, 2000) (the "Further Notice")

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reconfigured into three 10 MHz blocks.² In view of the tentative conclusion to retain the spectrum caps,³ the 10 MHz blocks provide the greatest degree of both flexibility and opportunity to the largest number of potential bidders, each of whom have legitimate needs for additional bandwidth. While ALLTEL believes that all spectrum should be subject to open bidding, it also concedes that providing a single 10 MHz C block exclusively for entrepreneurs represents a reasonable compromise between conflicting policy goals.⁴ Having made that concession, ALLTEL believes that both the available F blocks and 15 MHz blocks should be subject to open bidding, particularly where the Commission continues to provide bidding credits to entrepreneurs.

The Commission, having tentatively concluded to provide entrepreneurs with both bidding credits and exclusivity for at least one of the 10 MHz C blocks, must abandon its proposal to “tier” markets. Ultimately, any decision to regulate eligibility on the basis of market size alone is arbitrary and unduly hampers the ability of incumbent licensees to obtain spectrum in adjoining markets or otherwise expand the scope of their services in existing markets to include new spectrum-intensive technologies. Further, given the Commission’s deliberations when it last visited the spectrum cap issue, there is evidence

² See, Comments of Verizon Wireless at page 2; BellSouth Comments at page 1; Comments of U.S. West Wireless, LLC at page 3; Comments of SBC Communications, Inc. at pages 8-9; Comments of AT&T Wireless Services, Inc. at page 3. ALLTEL, however, disagrees with SBC’s proposal to keep the 30 MHz C block intact when bid upon by a new market entrant. Aside for requiring further consideration of the definition of “new market entrant”, ALLTEL views the proposal as unworkable within the confines of auction procedure and contrary to the notion of open spectrum availability.

³ ALLTEL currently supports the Commission’s spectrum cap rules and supports its conclusion to retain the spectrum caps for purposes of the C block reauction.

⁴ Numerous parties concede the reasonableness of this concession despite the persuasive policy arguments that bidding credits are sufficient to meet the statutory objective of Section 309(j) of the Act and provide the “opportunity” to designated entities to compete for licenses. See, for example, Comments of AT&T Wireless Services, Inc. at pages 6-8;

that purely rural markets are of less interest to larger, established incumbent carriers.⁵ Consequently, a tiered approach may not be required in order to preserve spectrum for the smaller rural carriers in those areas where it will provide them with the greatest benefit and market opportunity.

ALLTEL concurs with various suggestions that the Commission, eliminate the grandfather exception and, at a minimum, not allow successor companies and merged entities to benefit from the exception.⁶ A number of companies otherwise subject to the exception have grown rather large and now have sufficient financial resources to pursue spectrum at auction without the benefits of closed eligibility or bidding credits.⁷ Should the Commission retain the exception on a broader basis, however, ALLTEL believes the Commission should adopt Verizon's proposal to limit eligibility to only those companies that are under substantially the same ownership and control as the company that originally obtained entrepreneurs status.⁸ In the absence of such regulation of the "grandfather" exception, newly created designated entities will be severely hampered in their ability to compete at auction for "closed" spectrum blocks.⁹

Given the prospects for open bidding in the C block reauction, ALLTEL suggests that the Commission eliminate the restriction on the transferability of C and F block

⁵ ALLTEL, for its part, is interested in all markets and has significant rural holdings among its CMS properties.

⁶ See, Further Notice at para. 38.

⁷ ALLTEL notes that keeping as many bidders on an equal footing ensures the proper functioning of the auction mechanism and prevents unrealistically high bids resulting from "bidding through" the bidding credits.

⁸ See Further Notice at para. 37.

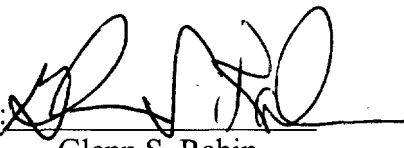
⁹ In this connection, ALLTEL notes that the "grandfather" exception is a matter of controversy only where the Commission proposes to retain restricted bidding eligibility. The best approach would be to establish open bidding for all spectrum and eliminate the controversy altogether.

licenses entirely. Ultimately, these restrictions have the effect of devaluing the entrepreneur's spectrum by limiting the pool of buyers in a market where formerly restricted spectrum is about to be placed on the open market. Saddling entrepreneurs with spectrum of limited transferability will consequently continue to deprive them of adequate access to the financial resources needed to succeed in the competitive marketplace.¹⁰

ALLTEL again commends the Commission for instituting the instant rulemaking on an expedited basis and looks forward to the upcoming auction.

Respectfully submitted,

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¹⁰ ALLTEL notes that the Commission's rules governing unjust enrichment are sufficient to disgorge a non-entrepreneur buyer from any financial benefit derived through obtaining a C or F block license from an entrepreneur.